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Trade efficiency assessment methodology (TEAM)

An update

Note by the UNCTAD secretariat

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I. Background

1. UNCTAD's efforts in the area of Trade Efficiency started in the early 1990s, when the Trade Efficiency Programme received the official endorsement of UNCTAD VIII (Cartagena de Indias, Colombia, March 1992). The programme was later reinforced by the conclusions of the United Nations International Symposium on Trade Efficiency (UNISTE, Colombus, Ohio, October 1994) and of UNCTAD IX (Midrand, South Africa, May 1996).

2. At the first session of the Commission on Enterprise, Business Facilitation and Development (Geneva, 20-24 January 1997), the secretariat was requested to pursue its work on formulating an analytical and methodological basis for trade efficiency assessments. A proposal for a trade efficiency assessment methodology (TEAM) was therefore presented at the second session of the Commission (Geneva, 1-5 December 1997)[1].

II. Outcome of the second session of the Commission

3. The methodology proposed was generally well received by members. It was recognized by some countries as an excellent basis for measuring the implementation of the Columbus recommendations, setting up Trade Points and taking advantage of new opportunities. The pioneering role of UNCTAD in electronic commerce was recognized and the need to update the trade efficiency strategy taking into account the most recent developments in this area was expressed. Some other countries considered that it would allow interested countries to receive an overall picture of their efforts and provide a clear link between international policy dialogue and overall national implementation. The demand-driven nature of the methodology was underlined. A further group of countries recognized the need to assess the quality of a country's services infrastructure and recognized the advantage of having SEES participate in the evaluation.

4. However, several countries expressed concern that the practical application and widespread use of TEAM might be an excessively ambitious objective, considering the limited resources available both in UNCTAD and in the field for such a detailed exercise. It was suggested that, initially, TEAM should focus on a limited number of sectors.

5. Practical proposals were made along those lines, as reflected in the agreed conclusions of third session of the Commission.[2] For example, it was proposed to develop a "trade efficiency self-evaluation kit" which would allow interested countries to carry out at least the first phase of TEAM without external assistance.

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[1] Document TD/B/COM.3/10/Add.1.

[2] Document TD/B/COM.3/11 (TD/B/5/3).

III. Follow-up

6. In the absence of specific resources (budgetary or extrabudgetary) allocated to the pursuance of the secretariat's work on TEAM, two parallel paths have been pursued:

(a) The secretariat pursued its consultations with members, in particular donors and beneficiaries of the Trade Point programme. Contributions to the external evaluation of the programme, in particular, made it possible to examine further some components of TEAM and their applicability to countries with Trade Points. It is expected that the evaluation should yield interesting results in this respect: knowing how countries have been able to use Trade Points to implement their trade efficiency policies will certainly enhance the secretariat's ability to simplify and focus TEAM, including through self-evaluation kits;

(b) The secretariat took advantage of field missions to assess how TEAM could be made into a more practical and more economical exercise. One such mission took place in late 1997 in Cambodia, and it provided a first opportunity to present a practical approach to a 'simplified TEAM' in the particular case of an LDC.[1]

7. It is the intention of the secretariat to pursue its efforts to develop and implement TEAM on the basis of continued cooperation with other organizations involved in similar trade assessment exercises, such as WTO and ITC. Continued efforts will also be made to maintain complementarity and identify synergies with other UNCTAD reviews such as science, technology and innovation policy reviews and investment policy reviews.

IV. Main lessons learnt from the Cambodia trade efficiency study

8. Following the official visit that the Secretary-General of UNCTAD paid to Cambodia, at the request of the Government, a Memorandum of Understanding was signed between the Government of Cambodia and UNCTAD in March 1997. It was agreed to initiate immediate action to prepare and implement a programme of technical cooperation for trade and related development issues, including a trade efficiency assessment. In particular, UNCTAD was invited to undertake, with the cooperation of the Cambodian Chamber of Commerce, a review of the efficiency of trading operations relevant to the increased participation of small and medium-sized enterprises in international trade, leading to the establishment of a Trade Point in Cambodia.

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[1] The UNCTAD Cambodia Trade Efficiency Report is being made available to at this session of the Commission as a background document (UNCTAD/SDTE/SMSE/Misc.1). Some of the main lessons of this exercise are summarized in section IV below.

9. Following the subsequent trade efficiency mission which took place in November 1997, and in the light of the agreed conclusions of the second session of the Commission on Enterprise, Business Facilitation and Development, a report was issued, providing a first attempt to illustrate a possible 'simplified trade efficiency assessment'. It focused on a small number of selected sectors : transport, telecommunications, business information and trade-related financial services.

10. The method used in Cambodia relied heavily on direct interviews with operators (transport, telecommunications), service suppliers (banking, insurance) and users (exporters). It allowed a rather subjective assessment of the critical points where trade efficiency could be enhanced: no attempt was made to establish quantitative indicators of trade efficiency by sector or for the trade transaction chain as a whole.

11. The results obtained however lead to the following conclusions:

(a) A useful 'simplified TEAM' exercise can be carried out in countries like Cambodia with relatively limited resources (on the part of both UNCTAD and local participants[1]);

(b) The interest of local government authorities in new developments in electronic commerce enhanced their support for a TEAM exercise;

(c) Proper preparation of the various local players (e.g. through the distribution of questionnaires a few weeks before the mission) is clearly an ingredient for the success of a TEAM exercise; however, the reluctance of some participants to divulge sensitive commercial information should not be underestimated[2].

12. The questions which remain to be addressed include the following:

(a) How much more expensive would a 'simplified TEAM' study be in a country offering characteristics different from those of Cambodia, for example a larger country with a more complex distribution of participants or a greater number of players?

(b) How representative the case of Cambodia can be considered to be to serve as a basis for the production of a 'trade efficiency self-evaluation kit'? If it is felt useful to carry out more preliminary assessments, which countries (or types of countries) should be included?

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[1] Altogether, the mission lasted less than two weeks.

[2] In the case of Cambodia, this was particularly clear for financial services.